

Georgian Market Overview

Archil Mestvirishvili

Vice Governor

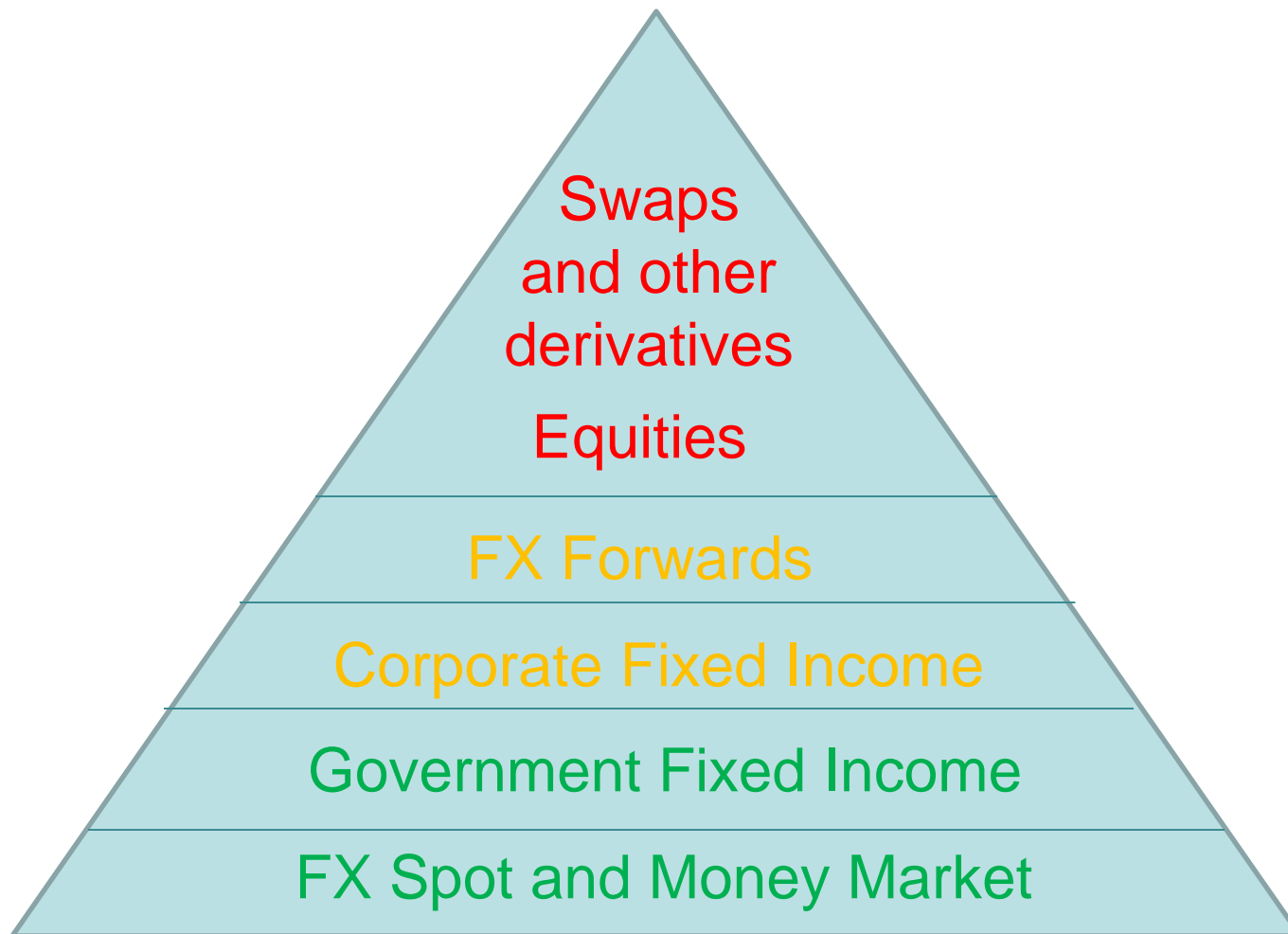
National Bank of Georgia

Archilm@nbg.gov.ge

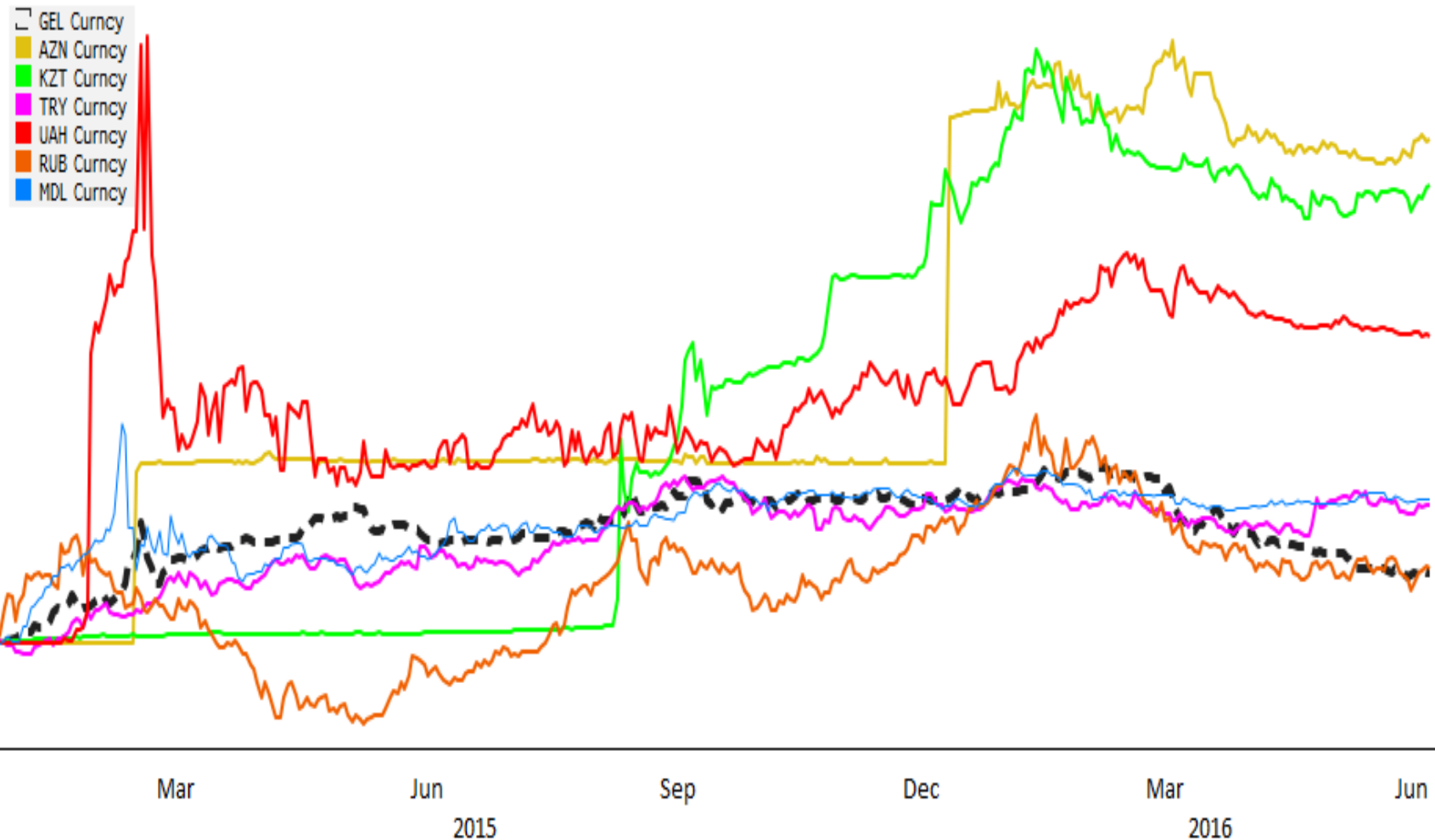
XIII CIS, Baltic States and Caucasus Bond Congress , Tbilisi, June 2016



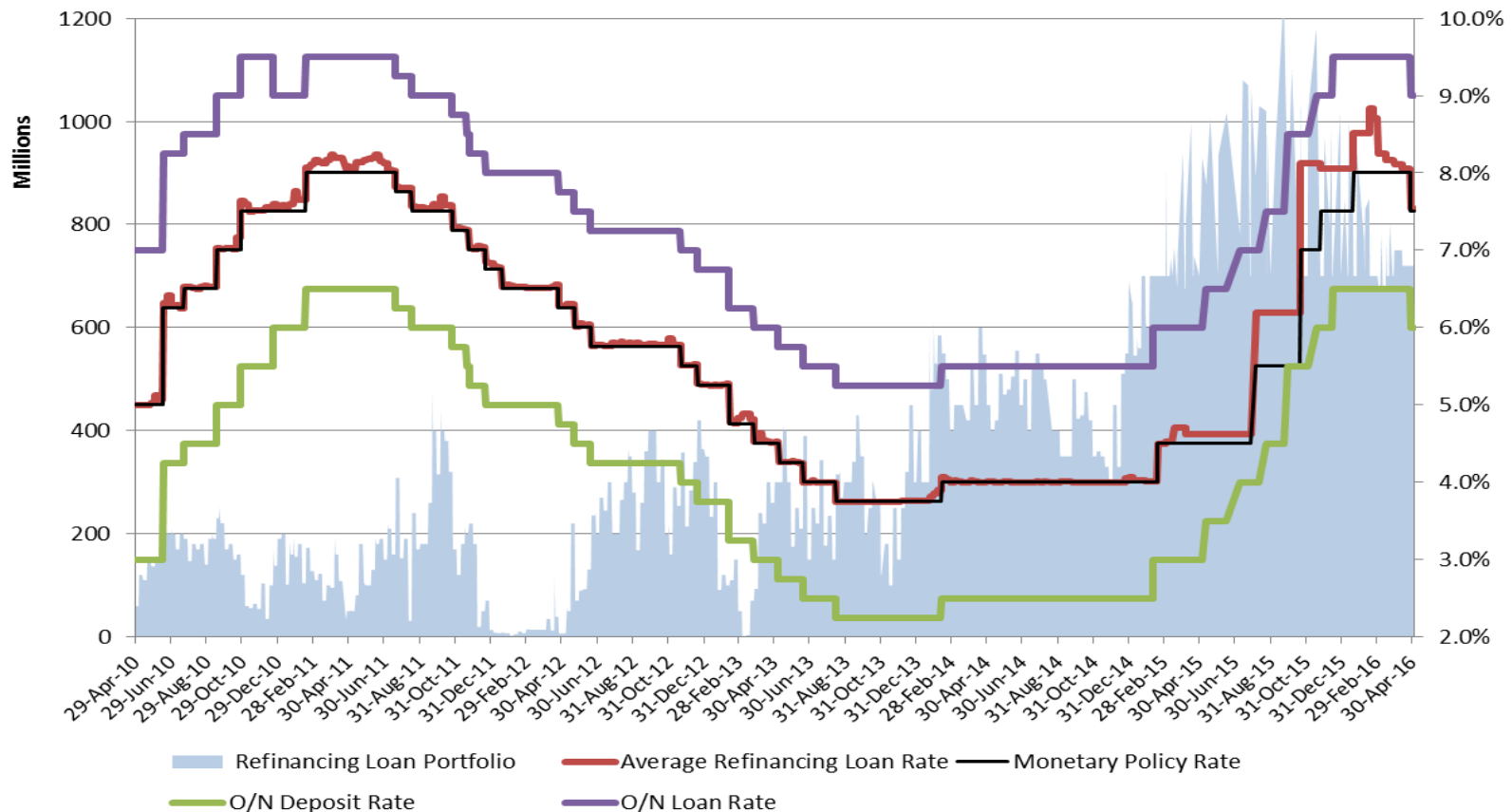
We Have a Sequential Approach to Market Development



GEL is a Floating Currency



Liquid Money Market with Stable Short Term Interest Rates



Policy Rate: 7.50%

O/N Depo 6.00%

O/N Loan 9.00%

NBG Operations

1 week refinancing

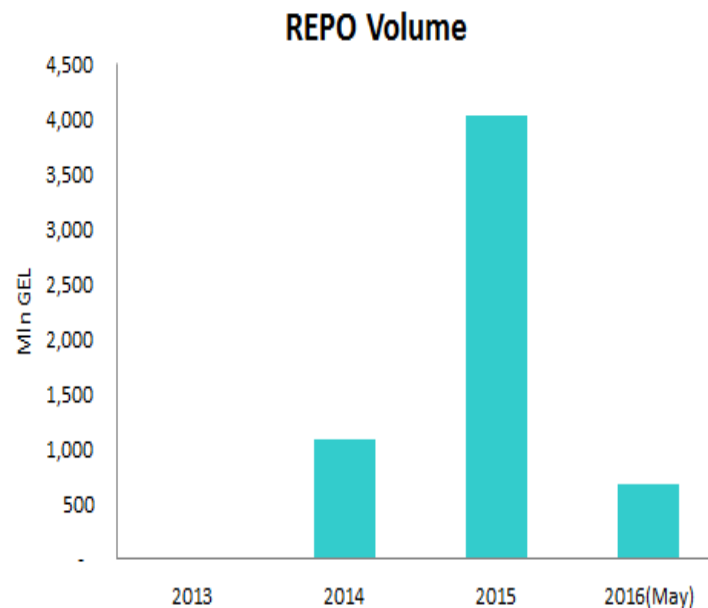
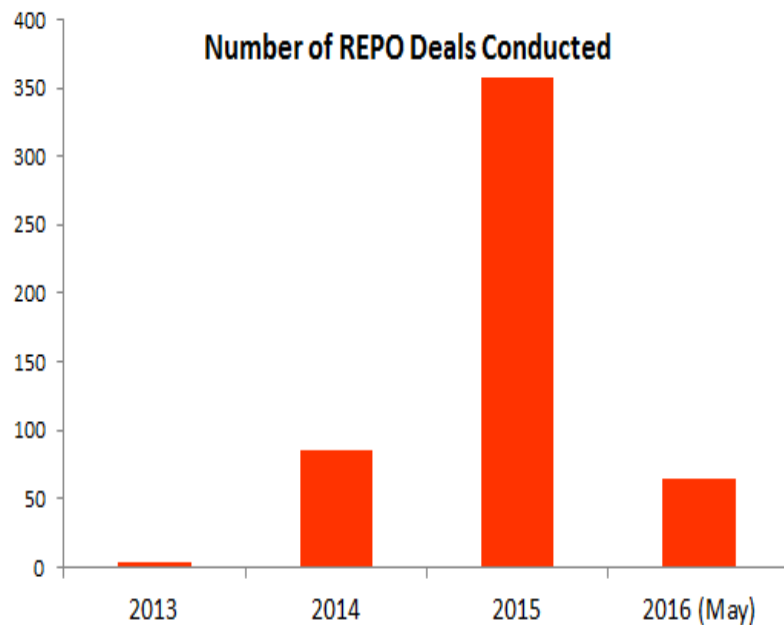
MMKT Indices

TIBR 1

TIBR 7

Fast Growing Interbank Repo Market

- ICMA legal opinion was completed in May 2016;
- Few legislative amendments planned;
- Move to international GMRA planned for next year.



Treasury Bond Market

Government and NBG Papers:

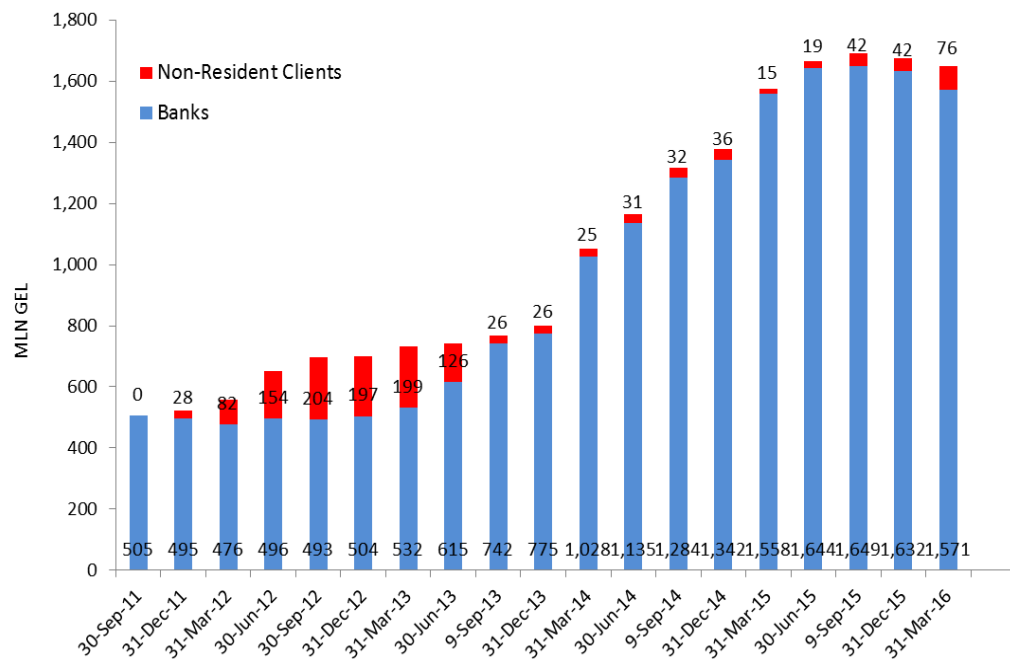
- Volume: 1.9 bln GEL (about \$0.9 bln);
- NBG CDs: 3 and 6 mm (Available only for domestic banks);
- Government securities:
1Y T-Bills,
2Y, 5Y, 10Y T-Notes;

Primary Market:

- Weekly primary auctions conducted by NBG;
- Quarterly issuance calendar-Available publicly;

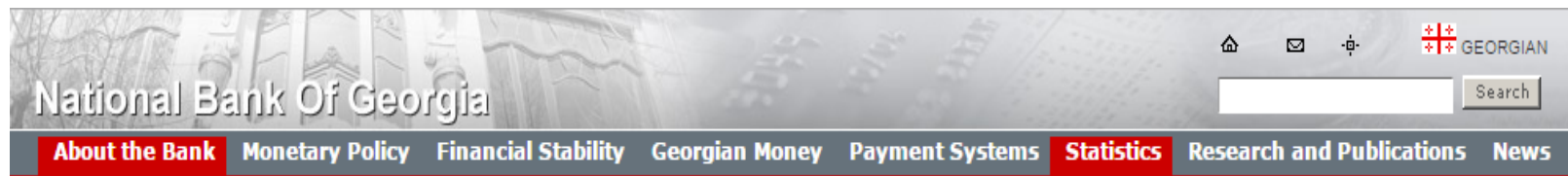
Secondary Market:

- Transparent bid/ask quoting available;
- Interbank repo market;
- Central bank freely accepting collateral for lending operations.



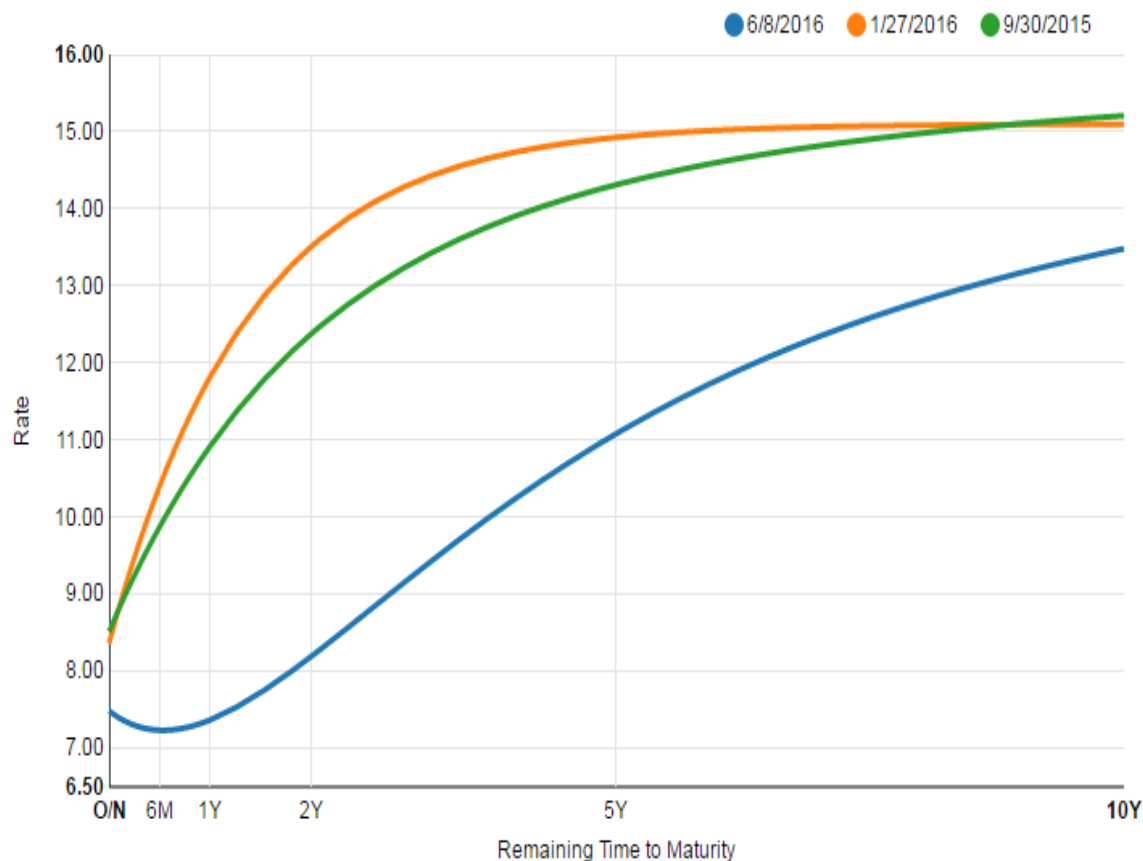
Deutsche Bank

NBG Started Publishing GEL Yield Curve



- General Information
- Advance Release Calendar
- Statistical Data
- Georgian Lari Yield Curve
- National Summary Data Page
- Data Revision Policy
- Reporting Rules (available only on Georgian)
- Key Macroeconomic Indicators and International Ratings
- SebStat Resources
- Feedback

Georgian Lari Yield Curve



IFI Corporate Bonds in GEL

Issuer	Size (GEL)	Settlement	Maturity	Interest Rate
EBRD	50,000,000	13-Mar-14	10-Mar-16	FRN (91 NBG CD)
EBRD	25,000,000	13-Feb-15	12-Feb-18	FRN (91 NBG CD)
ADB	100,000,000	19-Feb-15	15-Feb-18	FRN (91 NBG CD)
IFC	30,000,000	17-Feb-15	17-Feb-17	Fixed
BSTDB	48,000,000	5-Nov-15	1-Nov-18	FRN (91 NBG CD)
EBRD	9,000,000	16-Dec-15	18-Dec-20	Gel linked FRN (91 NBG CD)

Total Issued: 262,000,000

- Plans for 2016
 - Public offering;
 - Listing on GSE;
 - Offshore listing;
 - Involvement of ICSD;

Capital Market Development Strategy

- Working group consisting of MOF, MOE & NBG;
- Strategy and action plan were approved by the Government of Georgia in May 2016;
- Legislative changes will be submitted to the parliament in summer 2016;
- EU harmonization as an objective following EU accession agreement.



Corporate Bond Market is a Priority for next couple of years

- Corporate bond markets will develop eventually on their own, but they can be developed faster with proper policies
- Self regulated OTC market
 - Functions: market education, rules and standards, information center, bond pricing agency, trade association



NBG Supports Liquidity of Corporate Bonds

- Since June 1st NBG has included GEL denominated corporate bonds as eligible collateral for its Monetary Operations;
- Bonds must be rated by S&P, Moody's or Fitch
- Following haircuts apply:

Rating		Haircuts		
S&P & Fitch	Moody's	< 2 y	2 y < 5 y	> 5 y
AAA < BBB-	AAA < Baa3	10%	15%	20%
BB+ < BB-	Ba1 < Ba3	15%	20%	25%
B+	B1	20%	25%	30%
B	B2	25%	30%	35%
B-	B3	30%	35%	40%

Post Trade Infrastructure Reform

- One securities settlement system (SSS) operated by CB;
- Private and Government CSDs as participants;
- Settlement in central bank money;
- Similarities with ECB T2S model;
- Integration with Stock Exchange and Bloomberg OTC trading platforms;
- As a result corporate securities market will enjoy the same benefits government securities currently do.



**Thank you for kind
attention!**



